

CITY OF IDA GROVE
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2007

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CITY OF IDA GROVE
OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Dennis Ernst	Mayor	January 2010
Bill Carnine	Council Member	January 2008
Paul Cates	Council Member	January 2008
Craig Rupert	Council Member	January 2008
Jim Weary	Council Member	January 2008
Paul Bargar	Council Member	January 2010
Cindy Murray	Clerk	Indefinite
Sheryl Wonder	Treasurer	Indefinite
Laurel Boerner	Attorney	Indefinite

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

WESLEY E. STILLE, C.P.A.
JEFFORY B. STARK, C.P.A.
KEITH C. GERMANN, C.P.A.
RICHARD R. MOORE, C.P.A.
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W.J. HUNZELMAN, C.P.A. 1927-1997

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
Ida Grove, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Ida Grove, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Ida Grove, as of June 30, 2007, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2007, on our consideration of City of Ida Grove's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, and budgetary comparison information on pages 6 through 11 and 24 through 25 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Ida Grove's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2006 (none of which are presented herein), and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

December 21, 2007

Hunzelman, Pitzler & Co.

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Ida Grove provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

Receipts of the City's governmental activities increased 32.4%, or approximately \$449,000, from fiscal 2006 to fiscal 2007.

Disbursements of the City's governmental activities increased 32.1%, or approximately \$480,000, in fiscal 2007 from fiscal 2006.

The City's total cash basis net assets increased 60%, or approximately \$596,000, from June 30, 2006, to June 30, 2007. Of this amount, the assets of the governmental activities decreased approximately \$130,000 and the assets of the business type activities increased by approximately \$726,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the non-major governmental funds.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service, and capital projects. Property tax and state and federal grants finance most of these activities.

Business Type Activities include the water, sewer, and garbage services. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: (1) the General Fund, (2) the Special Revenue Funds, such as Road Use Tax and Tax Increment Financing, (3) the Debt Service Fund, and (4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements, and changes in cash balances.

2. Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the water, sewer, garbage, and utility deposit funds. The water, sewer, and garbage funds are considered to be major funds of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements, and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

Changes in Cash Basis Net Assets of Governmental Activities
(Expressed in Thousands)

	<u>Year Ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
Receipts:		
Program receipts:		
Charges for service	\$ 237	\$ 234
Operating grants, contributions, and restricted interest	307	271
Capital grants, contributions, and restricted interest	271	130
General receipts:		
Property tax	673	642
Tax increment financing	-	35
Hotel/motel tax	23	-
Unrestricted investment earnings	63	50
Bond proceeds	238	-
Other general receipts	<u>22</u>	<u>23</u>
Total receipts	<u>1,834</u>	<u>1,385</u>
Disbursements:		
Public safety	326	281
Public works	428	325
Health and social services	10	20
Culture and recreation	376	383
General government	218	188
Debt service	113	91
Capital projects	<u>505</u>	<u>208</u>
Total disbursements	<u>1,976</u>	<u>1,496</u>
Change in cash basis net assets before transfers	(142)	(111)
Transfers, net	<u>12</u>	<u>-</u>
Change in cash basis net assets	(130)	(111)
Cash basis net assets beginning of year	<u>1,022</u>	<u>1,133</u>
Cash basis net assets end of year	<u>\$ 892</u>	<u>\$1,022</u>

The City's total receipts for governmental activities increased by 32.4%, or \$449,000. The total cost of all programs and services increased by approximately \$480,000, or 32.1%.

The increase in receipts was due primarily to the receipt of bond proceeds for development of Zobel's 7th addition in the amount of \$238,000; Hotel/Motel tax of \$23,000; sale of an alley for \$10,000; and reimbursement for a major bridge replacement of \$253,211.

The increase in disbursements was due to increases in insurance premiums, additional expenses with the blizzard in March and heavy rains in May, damage to an overhead door, purchase of a new pay loader, increased chemical costs for the swimming pool and Rec Center, swimming pool repairs, repairs to the walking/biking trail, grants sponsored by the Rec Center, equipment purchases for the Rec Center, nuisance abatement costs for removing a trailer, major repairs to the air conditioning in Community Hall, higher costs for machinery and equipment maintenance, and engineering fees for a major sidewalk replacement project.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

The cost of all governmental activities this year was \$1.976 million compared to \$1.496 million last year. However, as shown in the Statement of Activities and Net Assets on pages 12-13, the amount taxpayers ultimately financed for these activities was only \$1,161,000 because some of the cost was paid by those directly benefited from the programs (\$237,000) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$578,000). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$673,000 in tax (some of which could only be used for certain programs) and other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities
(Expressed in Thousands)

	<u>Year Ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 177	\$ 178
Sewer	158	160
Garbage	142	126
Utility deposits	5	5
Capital grant, contributions, and restricted interest	47	-
General receipts:		
Bond proceeds	<u>767</u>	<u>-</u>
Total receipts	<u>1,296</u>	<u>469</u>
Disbursements:		
Water	225	333
Sewer	192	609
Garbage	137	120
Utility deposits	<u>4</u>	<u>5</u>
Total disbursements	<u>558</u>	<u>1,067</u>
Change in cash basis net assets before transfers	738	(598)
Transfers, net	<u>(12)</u>	<u>-</u>
Change in cash basis net assets	726	(598)
Cash basis net assets beginning of year	<u>(21)</u>	<u>577</u>
Cash basis net assets end of year	<u>\$ 705</u>	<u>\$ 577</u>

Total business type activities receipts for the fiscal year were \$1,296,000 compared to \$469,000 last year. This significant increase was due primarily to the receipt of \$767,000 in general obligation bond proceeds.

Total disbursements for the fiscal year decreased by 48% to a total of \$558,000. This decrease in disbursements was due to some major projects completed in 2005-06. The City wells were closed and two new ones were opened which accounted for disbursements of \$15,835 through the water department in 2005-06. In the Sewer department, a major expense for replacing the RBC for \$389,739 occurred in 2005-06 along with the construction of a new lift station for \$64,483. The roof was also repaired at the Waste Treatment Plant for \$10,765 in 2005-06. These expenses were all one-time expenses that are not typical expenses every year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As City of Ida Grove completed the year, its governmental funds reported a combined fund balance of \$892,178, a decrease of \$129,443 from last year's total of \$1,021,621. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance decreased \$60,681 from the prior year to \$332,468. This decrease was due primarily to the purchase of a grass rig for the fire department in the amount of \$39,885, an increase in salaries for the park department of \$8,614, and the purchase of new computers and office desks in the City Hall office in the amount of \$8,463.

The Road Use Tax Fund, which accounts for monies received from the State of Iowa for road improvements, cash balance increased by \$3,795 to \$480,927 during the fiscal year.

The Tax Increment Financing Fund, which accounts for projects financed by tax increment financing, cash balance decreased by \$49,226 to \$271,823 because the only income from taxes for fiscal year 2006-07 from TIF was \$3.57. The disbursements paying principal and interest on TIF Bonds were \$49,230. This total disbursement decreased the fund since there was no offsetting revenue.

The Capital Projects Fund, which accounts for various improvement projects within the City, cash balance increased by \$1,569 to \$(308,307).

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Water Fund, which accounts for the operation and maintenance of the City's water system, cash balance increased by \$253,189 to \$330,950, due primarily to the receipt of \$266,326 in bond proceeds.

The Sewer Fund, which accounts for the operation and maintenance of the City's sanitary sewer and wastewater treatment system, cash balance increased by \$467,150 to \$294,934 due primarily to the receipt of \$501,032 in bond proceeds.

The Garbage Fund, which accounts for the operation of the City's solid waste collection and disposal system, cash balance increased by \$4,497 to \$67,277.

BUDGETARY HIGHLIGHTS

For the year ended June 30, 2007, the City amended its budget one time. The amendment increased budgeted receipts by \$20,000 and increased budgeted disbursements by \$69,969. The increase in disbursements was necessary because the Fire Department purchased a grass rig for \$39,885; there were increases in salaries for parks of \$8,614, the swimming pool of \$6,000, and the City Clerk's office of \$6,750; and the purchase of computers and desks in the City Hall office in the amount of \$8,463.

DEBT ADMINISTRATION

At June 30, 2006, the City had \$1,190,000 in bonds and other long-term debt, compared to \$255,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)

	<u>June 30,</u>	
	<u>2007</u>	<u>2006</u>
General obligation bonds	<u>\$1,190</u>	<u>\$255</u>

DEBT ADMINISTRATION - (Continued)

The increase in debt was a result of issuing general obligation bonds for various construction projects within the City.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$1,190,000 is significantly below its constitutional debt limit of \$4.1 million.

ECONOMIC FACTORS

The City Council is pursuing the West Access project. At this time, no funding has been obtained to assist with engineering costs. Currently the City Council is working with Congressman King to obtain federal funding for the project. It appears favorable for obtaining the funding in the near future. The City experienced a blizzard in March and heavy rains in May that resulted in Ida County being declared a disaster area for both events. These events created extra work and expenses; work is still continuing to repair the damage from the heavy rains. The Rohwer Street Bridge has been completed and is a great asset for Ida Grove. A truck route has been developed to alleviate heavy traffic on certain streets. The completion of the West Access project will greatly aid in the maintenance of city streets and accessibility to Ida Grove from all directions. A stabilization project on Badger Creek was completed with the assistance of NRCS funds. This will prevent future problems and expenses when heavy rains occur.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Cindy Murray, City Clerk, P.O. Box 236, Ida Grove, Iowa.

CITY OF IDA GROVE
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

Exhibit A

	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			
	Disbursements	Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest	Primary Government			Component Unit
					Governmental Activities	Business Type Activities	Total	
Functions/Programs:								
Primary government:								
Governmental activities:								
Public safety	\$ 325,842	\$ -	\$ 39,869	\$ -	\$ (285,973)	\$ -	\$ (285,973)	\$ -
Public works	427,731	5,629	206,733	-	(215,369)	-	(215,369)	-
Health and social services	10,040	6,690	-	-	(3,350)	-	(3,350)	-
Culture and recreation	376,070	205,876	53,474	-	(116,720)	-	(116,720)	-
General government	218,002	19,121	7,228	-	(191,653)	-	(191,653)	-
Debt service	112,965	-	-	-	(112,965)	-	(112,965)	-
Capital projects	505,168	-	-	270,461	(234,707)	-	(234,707)	-
Total governmental activities:	1,975,818	237,316	307,304	270,461	(1,160,737)	-	(1,160,737)	-
Business type activities:								
Water	224,894	176,769	47,098	-	-	(1,027)	(1,027)	-
Sewer	192,143	158,261	-	-	-	(33,882)	(33,882)	-
Garbage	137,192	141,689	-	-	-	4,497	4,497	-
Utility deposits	4,278	5,228	-	-	-	950	950	-
Total business type activities	558,507	481,947	47,098	-	-	(29,462)	(29,462)	-
Total primary government	\$ 2,534,325	\$ 719,263	\$ 354,402	\$ 270,461	(1,160,737)	(29,462)	(1,190,199)	-
Component unit:								
Ida Grove Community Rec Center								
Endowment Trust	\$ 2,765	\$ -	\$ 5,000	\$ -	-	-	-	2,235
General Receipts:								
Property tax levied for:								
General purposes					632,967	-	632,967	-
Tax increment financing					4	-	4	-
Utility excise replacement tax					39,814	-	39,814	-
Hotel-motel tax					23,210	-	23,210	-
Special assessments					542	-	542	-
Unrestricted interest on investments					63,000	-	63,000	10,376
Bond proceeds (net of \$4,848 discount)					237,794	767,358	1,005,152	-
Sale of assets					10,708	-	10,708	-
Miscellaneous					11,145	-	11,145	-
Transfers					12,110	(12,110)	-	-
Total general receipts and transfers					1,031,294	755,248	1,786,542	10,376

CITY OF IDA GROVE
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

Exhibit A
(Continued)

	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			
	Disbursements	Charges for Service	Operating Grants, Contributions, and Restricted Interest	Primary Government			Component Unit
				Governmental Activities	Business Type Activities	Total	
Change in cash basis net assets				\$ (129,443)	\$ 725,786	\$ 596,343	\$ 12,611
Cash basis net assets beginning of year				1,021,621	(21,227)	1,000,394	234,334
Cash basis net assets end of year				\$ 892,178	\$ 704,559	\$ 1,596,737	\$ 246,945
Cash Basis Net Assets							
Restricted:							
Streets				\$ 480,927	\$ -	\$ 480,927	\$ -
Tax increment purposes				271,823	-	271,823	-
Debt service				57,553	-	57,553	-
Other purposes				57,714	-	57,714	-
Ida Grove Community Rec Center				-	-	-	246,945
Unrestricted				24,161	704,559	728,720	-
Total cash basis net assets				\$ 892,178	\$ 704,559	\$ 1,596,737	\$ 246,945

See notes to financial statements.

CITY OF IDA GROVE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

Exhibit B

	Special Revenue					
	Tax					
	General	Road Use	Increment Financing	Capital Projects	Non Major	Total
Receipts:						
Property tax	\$ 526,764	\$ -	\$ -	\$ -	\$ 106,203	\$ 632,967
Tax increment financing	-	-	4	-	-	4
Other city tax	56,340	-	-	-	6,684	63,024
Licenses and permits	7,921	-	-	-	-	7,921
Use of money and property	76,874	-	-	-	317	77,191
Intergovernmental	23,899	195,860	-	253,211	-	472,970
Charges for service	202,664	-	-	-	-	202,664
Special assessments	-	-	-	542	-	542
Miscellaneous	111,380	-	-	17,100	-	128,480
Total receipts	1,005,842	195,860	4	270,853	113,204	1,585,763
Disbursements:						
Operating:						
Public safety	325,211	-	-	-	631	325,842
Public works	185,392	205,393	-	-	36,946	427,731
Health and social services	10,040	-	-	-	-	10,040
Culture and recreation	370,194	-	-	-	5,876	376,070
General government	201,500	-	-	-	16,502	218,002
Debt service	-	-	-	-	112,965	112,965
Capital projects	-	-	-	505,168	-	505,168
Total disbursements	1,092,337	205,393	-	505,168	172,920	1,975,818
Excess (deficiency) of receipts over disbursements	(86,495)	(9,533)	4	(234,315)	(59,716)	(390,055)
Other financing sources (uses):						
Bond proceeds	-	-	-	237,794	-	237,794
Sale of assets	10,708	-	-	-	-	10,708
Operating transfers in	16,324	13,328	-	-	49,230	78,882
Operating transfers out	(1,218)	-	(49,230)	(1,910)	(14,414)	(66,772)
Total other financing sources (uses)	25,814	13,328	(49,230)	235,884	34,816	260,612
Net change in cash balances	(60,681)	3,795	(49,226)	1,569	(24,900)	(129,443)
Cash balances beginning of year	393,149	477,132	321,049	(309,876)	140,167	1,021,621
Cash balances end of year	\$ 332,468	\$ 480,927	\$ 271,823	\$ (308,307)	\$ 115,267	\$ 892,178

(Continued)

CITY OF IDA GROVE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

Exhibit B
(Continued)

	<u>Special Revenue</u>				
	<u>General</u>	<u>Road Use</u>	<u>Tax</u>	<u>Capital Projects</u>	<u>Non Major</u>
			<u>Increment Financing</u>		
					<u>Total</u>
Cash Basis Fund Balances					
Reserved for debt service	\$ -	\$ -	\$ -	\$ -	\$ 57,553
Unreserved:					\$ 57,553
General fund	332,468	-	-	-	-
Special revenue funds	-	480,927	271,823	-	57,714
Capital project fund	-	-	-	(308,307)	-
Total cash basis fund balances	<u>\$ 332,468</u>	<u>\$ 480,927</u>	<u>\$ 271,823</u>	<u>\$ (308,307)</u>	<u>\$ 115,267</u>
					<u>\$ 892,178</u>

See notes to financial statements.

CITY OF IDA GROVE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

Exhibit C

	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Non-Major Fund Utility Deposits</u>	<u>Total</u>
Operating Receipts:					
Use of money and property	\$ 150	\$ -	\$ -	\$ -	150
Charges for service	176,396	158,000	141,689	-	476,085
Miscellaneous	<u>223</u>	<u>261</u>	<u>-</u>	<u>5,228</u>	<u>5,712</u>
Total operating receipts	176,769	158,261	141,689	5,228	481,947
Operating Disbursements:					
Business type activities	<u>224,894</u>	<u>192,143</u>	<u>137,192</u>	<u>4,278</u>	<u>558,507</u>
Excess (deficiency) of operating receipts over operating disbursements	<u>(48,125)</u>	<u>(33,882)</u>	<u>4,497</u>	<u>950</u>	<u>(76,560)</u>
Non-operating receipts					
Bond proceeds	266,326	501,032	-	-	767,358
Intergovernmental	<u>47,098</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,098</u>
Total non-operating receipts	<u>313,424</u>	<u>501,032</u>	<u>-</u>	<u>-</u>	<u>814,456</u>
Excess of receipts over disbursements	265,299	467,150	4,497	950	737,896
Operating transfers out	<u>(12,110)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,110)</u>
Net change in cash balances	253,189	467,150	4,497	950	725,786
Cash balances beginning of year	<u>77,761</u>	<u>(172,216)</u>	<u>62,780</u>	<u>10,448</u>	<u>(21,227)</u>
Cash balances end of year	<u>\$ 330,950</u>	<u>\$ 294,934</u>	<u>\$ 67,277</u>	<u>\$ 11,398</u>	<u>\$ 704,559</u>
Cash Basis Fund Balances					
Unreserved	<u>\$ 330,950</u>	<u>\$ 294,934</u>	<u>\$ 67,277</u>	<u>\$ 11,398</u>	<u>\$ 704,559</u>

See notes to financial statements.

CITY OF IDA GROVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

1. Summary of Significant Accounting Policies

City of Ida Grove is a political subdivision of the State of Iowa located in Ida County. It was first incorporated in 1878 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, general government, and business type activities.

A. Reporting Entity

For financial reporting purposes, City of Ida Grove has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the City.

These financial statements present the City of Ida Grove (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely Presented Component Unit

The Ida Grove Community Rec Center Endowment Trust was established as a non-profit trust in accordance with Section 450.4(2) of the Code of Iowa. The Trust is legally separate from the City but is so intertwined with the City that it is, in substance, the same as the City. The Trust receives donations for maintaining and improving the facilities, programs, and physical plant of the Rec Center and Community building. These donations are to be used for items which are not included in the City's budget.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of or appoint representatives to the following boards and commissions: Ida County Assessor's Conference Board, Ida County Public Safety and Communications Commission, and Ida County Landfill Commission.

Payments made to Ida County Public Safety and Communications Commission, and Ida County Landfill Commission during the year ended June 30, 2007, were \$246,957 and \$35,250, respectively.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the non-fiduciary activities of the City. For the most part, the effect of inter-fund activity has been removed from this statement. Governmental activities, which are supported by

CITY OF IDA GROVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

1. Summary of Significant Accounting Policies - (Continued)

B. Basis of Presentation - (Continued)

tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's non-fiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Tax Increment Financing Fund is used to account for projects financed by tax increment financing.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

CITY OF IDA GROVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

1. Summary of Significant Accounting Policies - (Continued)

B. Basis of Presentation - (Continued)

The Garbage Fund accounts for the operation and maintenance of the City's system of solid waste removal.

C. Measurement Focus and Basis of Accounting

The City of Ida Grove maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements exceeded the amount budgeted in the culture and recreation, and debt service functions.

2. Cash

The City's deposits in banks at June 30, 2007, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement Number 3, as amended by Statement No. 40.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

CITY OF IDA GROVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

3. Bonds Payable

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 135,000	\$ 46,827
2009	120,000	41,043
2010	130,000	36,212
2011	130,000	30,948
2012	100,000	25,683
2013-2017	575,000	68,262
Total	<u>\$1,190,000</u>	<u>\$248,975</u>

4. Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005, were \$23,457, \$21,680, and \$20,072 respectively, equal to the required contributions for each year.

5. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2007, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	<u>\$12,764</u>

The liability has been computed based on rates of pay as of June 30, 2007.

6. Inter-fund Transfers

The detail of inter-fund transfers for the year ended June 30, 2007, is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Emergency fund	\$14,414
	Capital Projects	<u>1,910</u>
		<u>16,324</u>

CITY OF IDA GROVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

6. Inter-fund Transfers - (Continued)

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Road Use	Water	12,110
	General	<u>1,218</u>
		<u>13,328</u>
Debt Service	Special Revenue:	
	Tax Increment Financing	<u>49,230</u>
		<u>\$78,882</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

7. Operating Lease

The City leases two John Deere mowers. Rental expense incurred for this lease was \$4,300 for the year ended June 30, 2007. Minimum amounts payable under this operating lease are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Amount</u>
2008	\$4,300
2009	<u>4,300</u>
	<u>\$8,600</u>

8. Commercial Development Revenue Bonds

Commercial Development Revenue Bonds were issued July 1, 1984, for \$575,000, under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the revenue of the properties constructed and the bond principal and interest do not constitute liabilities of the City. The balance outstanding at June 30, 2007, was \$90,000.

9. Service Agreements

The City has an agreement with Ida County Sanitation, Inc. for refuse collection and hauling of solid waste and recyclable materials. Payments under this agreement were \$135,379 for the year ended June 30, 2007.

10. Hospital Revenue Notes

The City has issued a total of \$8,860,000 of hospital revenue notes for Horn Memorial Hospital under the provisions of Chapter 419 of the Code of Iowa of which \$8,492,000 is outstanding at June 30, 2007. The bonds and related interest are payable solely from the revenue of the hospital and the bond principal and interest do not constitute liabilities of the City.

CITY OF IDA GROVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

11. Construction Contracts and Commitments

The City has entered into the following contracts which were not completed as of June 30, 2007.

<u>Projects</u>	<u>Total Contract Amount</u>	<u>Amount Paid As of 6-30-07</u>	<u>Remaining Commitment As of 6-30-07</u>
Engineering	\$220,146	\$166,236	\$53,910
Rohwer street bridge	420,709	402,984	17,725

The above costs will be paid from grant proceeds and funds on hand.

12. Risk Management

City of Ida Grove is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

13. Deficit Fund Balance

The Capital Projects Funds, Forrest Avenue Improvement, West Access, Rohwer Street Bridge, TIF Urban Renewal, and Park Lane Extension had deficit balances of \$8,803, \$71,590, \$216,656, \$6,653, and \$8,350, respectively at June 30, 2007. These deficit balances are a result of project costs incurred prior to availability of funds. These deficit balances will be eliminated by special assessments, transfers from other funds, and receipt of grant funds.

14. Intergovernmental Agreement

The City entered into an agreement with Ida County to provide for the disposal of solid waste.

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The costs to the County for compliance with these requirements have been estimated at \$552,736 according to the County's latest audit report available which was for the year ended June 30, 2006.

The County has begun to accumulate resources to fund these costs and, at June 30, 2006, assets of \$517,752 are restricted for these purposes.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF IDA GROVE
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL
FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2007

	Governmental	Proprietary		Budgeted Amounts		Final
	Funds	Funds				to
	Actual	Actual	Total	Original	Final	Total
						Variance
Receipts:						
Property tax	\$ 632,967	\$ -	\$ 632,967	\$ 630,868	\$ 630,868	\$ 2,099
Tax increment financing collections	4	-	4	-	-	4
Other city tax	63,024	-	63,024	61,514	61,514	1,510
Licenses and permits	7,921	-	7,921	8,620	8,620	(699)
Use of money and property	77,191	150	77,341	60,680	60,680	16,661
Intergovernmental	472,970	47,098	520,068	386,962	386,962	133,106
Charges for service	202,664	476,085	678,749	714,490	714,490	(35,741)
Special assessments	542	-	542	506	506	36
Miscellaneous	128,480	5,712	134,192	249,171	269,171	(134,979)
Total receipts	<u>1,585,763</u>	<u>529,045</u>	<u>2,114,808</u>	<u>2,112,811</u>	<u>2,132,811</u>	<u>(18,003)</u>
Disbursements:						
Public safety	325,842	-	325,842	316,565	356,420	30,578
Public works	427,731	-	427,731	491,404	491,404	63,673
Health and social services	10,040	-	10,040	27,257	27,257	17,217
Culture and recreation	376,070	-	376,070	352,696	367,310	(8,760)
General government	218,002	-	218,002	241,980	257,480	39,478
Debt service	112,965	-	112,965	87,830	87,830	(25,135)
Capital projects	505,168	-	505,168	724,000	724,000	218,832
Business type activities	-	558,507	558,507	592,949	592,949	34,442
Total disbursements	<u>1,975,818</u>	<u>558,507</u>	<u>2,534,325</u>	<u>2,834,681</u>	<u>2,904,650</u>	<u>370,325</u>
Excess (deficiency) of receipts over disbursements	(390,055)	(29,462)	(419,517)	(721,870)	(771,839)	352,322
Other financing sources, net	260,612	755,248	1,015,860	975,500	975,500	40,360
Balances, beginning of year	<u>1,021,621</u>	<u>(21,227)</u>	<u>1,000,394</u>	<u>892,801</u>	<u>892,801</u>	<u>107,593</u>
Balances, end of year	<u>\$ 892,178</u>	<u>\$ 704,559</u>	<u>\$1,596,737</u>	<u>\$1,146,431</u>	<u>\$ 1,096,462</u>	<u>\$ 500,275</u>

See accompanying independent auditor's report.

CITY OF IDA GROVE
NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION - BUDGETARY REPORTING
JUNE 30, 2007

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities, and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$69,969. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements exceeded the amount budgeted in the culture and recreation, and debt service functions.

OTHER SUPPLEMENTARY INFORMATION

CITY OF IDA GROVE
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

Schedule 1

	<u>Special Revenue</u>			
	<u>Employee</u>	<u>Emergency</u>	<u>Debt</u>	<u>Total</u>
	<u>Benefits</u>	<u>Fund</u>	<u>Service</u>	
Receipts:				
Property tax	\$ 56,054	\$ 13,712	\$ 36,437	\$ 106,203
Other city tax	3,528	863	2,293	6,684
Use of money and property	-	-	317	317
Special assessments	-	-	-	-
Total receipts	<u>59,582</u>	<u>14,575</u>	<u>39,047</u>	<u>113,204</u>
Disbursements:				
Operating:				
Public safety	631	-	-	631
Public works	36,946	-	-	36,946
Culture and recreation	5,876	-	-	5,876
General government	16,502	-	-	16,502
Debt service	-	-	112,965	112,965
Total disbursements	<u>59,955</u>	<u>-</u>	<u>112,965</u>	<u>172,920</u>
Excess (deficiency) of receipts over disbursements	<u>(373)</u>	<u>14,575</u>	<u>(73,918)</u>	<u>(59,716)</u>
Other financing sources (uses):				
Transfers in	-	-	49,230	49,230
Transfers out	-	(14,414)	-	(14,414)
	<u>-</u>	<u>(14,414)</u>	<u>49,230</u>	<u>34,816</u>
Net change in cash balances	(373)	161	(24,688)	(24,900)
Cash balances beginning of year	<u>43,512</u>	<u>14,414</u>	<u>82,241</u>	<u>140,167</u>
Cash balances end of year	<u>\$ 43,139</u>	<u>\$ 14,575</u>	<u>\$ 57,553</u>	<u>\$ 115,267</u>
Cash Basis Fund Balances				
Reserved for debt service	\$ -	\$ -	\$ 57,553	\$ 57,553
Unreserved:				
Special Revenue	<u>43,139</u>	<u>14,575</u>	<u>-</u>	<u>57,714</u>
Total cash basis fund balances	<u>\$ 43,139</u>	<u>\$ 14,575</u>	<u>\$ 57,553</u>	<u>\$ 115,267</u>

See accompanying independent auditor's report.

CITY OF IDA GROVE
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2007

Schedule 2

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Balance Beginning Of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End Of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
General obligation bonds:									
Hillcrest/Zoebel's 6th street improvements	May 1, 1998	4.50%	\$ 290,000	\$ 95,000	\$ -	\$ 45,000	\$ 50,000	\$ 4,230	\$ -
Airport improvement	October 11, 2000	5.00%	290,000	160,000	-	30,000	130,000	8,000	-
Corporate purpose	October 1, 2006	3.70-3.90%	1,010,000	-	1,010,000	-	1,010,000	25,385	-
				<u>\$ 255,000</u>	<u>\$1,010,000</u>	<u>\$ 75,000</u>	<u>\$ 1,190,000</u>	<u>\$ 37,615</u>	<u>\$ -</u>

See accompanying independent auditor's report.

CITY OF IDA GROVE
BOND MATURITIES
JUNE 30, 2007

Schedule 3

General Obligations Bonds

Year Ending <u>June 30,</u>	Airport Improvement Issued <u>October 11, 2000</u>		Hillcrest/Zoebel's 6th Street Improvement <u>Issued May 1, 1998</u>		Corporate Purpose <u>Issued October 1, 2006</u>		<u>Total</u>
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	
2008	5.00%	\$ 30,000	4.50%	\$ 50,000	3.70%	\$ 55,000	\$ 135,000
2009	5.00	30,000	-	-	3.70	90,000	120,000
2010	5.00	35,000	-	-	3.70	95,000	130,000
2011	5.00	35,000	-	-	3.70	95,000	130,000
2012	-	-	-	-	3.70	100,000	100,000
2013	-	-	-	-	3.75	105,000	105,000
2014	-	-	-	-	3.80	110,000	110,000
2015	-	-	-	-	3.80	115,000	115,000
2016	-	-	-	-	3.85	120,000	120,000
2017	-	-	-	-	3.90	125,000	125,000
		<u>\$ 130,000</u>		<u>\$ 50,000</u>		<u>\$ 1,010,000</u>	<u>\$ 1,190,000</u>

See accompanying independent auditor's report.

CITY OF IDA GROVE
SCHEDULE OF RECEIPTS BY SOURCE AND
DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST FIVE YEARS

Schedule 4

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Receipts:					
Property tax	\$ 635,260	\$ 603,344	\$ 537,045	\$ 542,175	\$ 485,730
Tax increment financing collections	4	34,908	99,718	96,850	183,235
Other city tax	60,731	44,748	41,729	38,314	40,097
Licenses and permits	7,921	6,870	9,008	6,369	2,190
Use of money and property	77,191	63,353	47,954	34,949	42,552
Intergovernmental	472,970	291,748	237,346	232,944	344,280
Charges for service	202,664	203,660	196,288	172,165	15,733
Special assessments	542	578	2,043	7,614	4,878
Miscellaneous	128,480	132,011	210,108	473,297	1,019,413
Total	<u>\$ 1,585,763</u>	<u>\$ 1,381,220</u>	<u>\$ 1,381,239</u>	<u>\$ 1,604,677</u>	<u>\$ 2,138,108</u>
Disbursements:					
Operating:					
Public safety	\$ 325,842	\$ 280,524	\$ 257,594	\$ 254,600	\$ 260,739
Public works	427,731	325,179	295,948	330,013	389,524
Health and social services	10,040	20,328	20,763	17,506	21,241
Culture and recreation	376,070	383,305	317,698	258,039	1,187,576
General government	218,002	188,092	180,540	173,439	161,296
Debt service	112,965	90,965	131,605	131,715	136,805
Capital projects	505,168	207,824	466,939	438,145	-
Total	<u>\$ 1,975,818</u>	<u>\$ 1,496,217</u>	<u>\$ 1,671,087</u>	<u>\$ 1,603,457</u>	<u>\$ 2,157,181</u>

See accompanying independent auditor's report.

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

WESLEY E. STILLE, C.P.A.
JEFFORY B. STARK, C.P.A.
KEITH C. GERMANN, C.P.A.
RICHARD R. MOORE, C.P.A.
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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Honorable Mayor and
Members of the City Council
Ida Grove, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Ida Grove, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated December 21, 2007. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with another comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Ida Grove's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of City of Ida Grove's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Ida Grove's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of City of Ida Grove's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by City of Ida Grove's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items I-A-07, I-C-07, and I-D-07 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Ida Grove's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Ida Grove's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusion on the City's responses, we did not audit City of Ida Grove's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of City of Ida Grove and other parties to whom City of Ida Grove may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of City of Ida Grove during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

December 21, 2007



CITY OF IDA GROVE
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

I-A-07 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that bank deposits, opening mail, recording receipts and disbursements, checks and payroll preparation, and bank reconciliations are all handled by either of two individuals.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The City Council holds an organizational meeting at the first meeting in January. At that time, the Council reviews the operational procedures so they can obtain maximum internal control. The financial reports are presented the first meeting of the month to the entire Council for their review and approval, which is an additional procedure to maintain maximum control. The Mayor or Mayor Pro Tem and the City Clerk or Deputy Clerk sign all checks. The city staff individual preparing the deposit will not take the deposit to the bank. Other office staff will take the deposit to the bank. Cross training of the city office staff is taking place.

Conclusion - Response accepted.

I-B-07 Fire Department and Centennial Commission Funds - The Fire Department and Centennial Commission currently maintain bank accounts which are not included in the City's financial records. These do not appear to be separate non-profit corporations, but may be departments of the City. Chapter 384.20 of the Iowa Code states in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose, by any city officer, employee, or other person, and which show the receipt, use, and disposition of all city property. Public moneys may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - These funds should be included in the City's financial records and any disbursements should be budgeted.

Response - The City provided the auditor's comments to a Fire Department officer and the Centennial Commission and requested annual budget and monthly receipt and disbursement reports from the Fire Chief, Treasurer, and the Chairman of the Centennial Commission to be included in the City's budget. The Fire Department thought they were a 501(c)3 organization. The City Clerk researched the question and found they are not. The City has not received any of the items requested. The organizations will be contacted again for the items to be included in the 2008-09 budget.

Conclusion - Response accepted.

CITY OF IDA GROVE
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

SIGNIFICANT DEFICIENCIES - (Continued)

- I-C-07 Financial Reporting - Reporting financial data reliably in accordance with an other comprehensive basis of accounting (OCBOA) requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Management presently lacks the qualifications and training to appropriately fulfill these responsibilities, which is a common situation in small entities.

Recommendation - Obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in the ability to prepare and take responsibility for reliable OCBOA financial statements.

Response - The current City Clerk started February 20, 2007. As she continues working the financial aspects of city business, she will gain knowledge regarding financial reporting. She has taken college level accounting courses in the past and is familiar with generally accepted accounting principles and financial reports. She has attended workshops presented for preparation of City business reports and will continue attending workshops and meetings.

Conclusion - Response accepted.

- I-D-07 Checks Held - Two checks totaling over \$37,000 were written in June 2007, but were not remitted to the vendors because the services had not been completed by June 30, 2007.

Recommendation - Payments should only be made when the goods or services have been received and are properly supported by documentation.

Response - Not being familiar with the budgeting process and the flow of unexpended appropriation amounts at year end, the City Clerk authorized the two checks to be written for work to be completed by June 30, 2007, and not be invoiced until later. The two checks were voided and new checks were issued after receipt of an invoice. This practice will not be repeated.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-07 Certified Budget - Disbursements during the year ended June 30, 2007, exceed the amounts budgeted in the culture and recreation, and debt service functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

CITY OF IDA GROVE
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Required Statutory Reporting - (Continued)

II-A-07 Certified Budget - (Continued)

Response – Ida Grove received heavy rains in early May with damages totaling over \$80,000 and resulted in many repair projects. We worked with FEMA representatives into July reviewing damages and expenses. Repairs were continually being made through the following months and costs could not be determined timely enough to complete an amendment prior to fiscal year end. Many of the expenses were later reimbursed with FEMA funds after the fiscal year end. Regarding debt service, the City Clerk did not receive sufficient direction or training from the previous clerk to realize there was a problem. This will be watched closely in the future and all efforts will be made to prevent a reoccurrence.

Conclusion - Response accepted.

II-B-07 Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-07 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-07 Business Transactions - We noted no business transactions between the City and City officials or employees.

II-E-07 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-07 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa.

II-H-07 Excess Balances - The following funds have balances at June 30, 2007, in excess of one year's expenditures:

Special Revenue - Tax Increment Financing - South
 - Tax Increment Financing - West
 - Road Use
 - Emergency Levy

Recommendation - While it appears that these funds may have an excessive balance, this can usually be justified if the City has a specific plan for future expenditures. The City should consider the necessity of maintaining these substantial balances and, where financially feasible, consider reducing the balances in an orderly manner through revenue reductions.

CITY OF IDA GROVE
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Required Statutory Reporting - (Continued)

II-H-07 Excess Balances - (Continued)

Response -

Tax Increment Financing - South:

The City is continuing to pay the annual bond and coupon payments out of the monies in the account. The City also needs to have 39.5% set aside for a low and moderate-income project because the area has upscale housing. A program to benefit low and moderate-income families did not develop last year as planned. We will pursue the matter during the next fiscal year.

Tax Increment Financing - West:

The City is continuing to pay the annual bond and coupon payments out of the monies in the account and when the issue is complete, the monies should be depleted.

Road Use Tax:

The Rohwer Street Bridge project was not completed by fiscal year end. This resulted in anticipated expenditures not being completed by fiscal year end. The project will be completed and funds will be expended during the next fiscal year.

Emergency Levy:

Researching previous years, we found the Emergency Levy funds were not transferred into the General Fund at the end of the 2006-07 fiscal year, as it should have been. The transfer will be made and we will include it routinely for year end processing.

Conclusion - Response accepted.

II-I-07 Financial Condition -- At June 30, 2007, the City had deficit balances in the Forrest Avenue Improvement, West Access, Rohwer Street Bridge, TIF Urban Renewal, and Park Lane Extension funds of \$8,803, \$71,590, \$216,656, \$6,653, and \$8,350, respectively.

Recommendation - The City should investigate alternatives to eliminate these deficits in order to return the funds to a sound financial condition.

Response -

Forrest Avenue was a special assessment project and monies are still being received from property owners. The Council plans to transfer funds for the deficit balance.

The West Access project is still in the beginning stages. The City Council has been working with Ida County and Farmer's Coop for joint funding for the project. We are currently seeking federal funding. It was moved into a capital project for 2007-08.

The Rohwer Street Bridge deficit will be eliminated with Road Use Tax funds.

A transfer from the general fund will clear the TIF Urban Renewal deficit.

Park Lane Extension project was initiated by Ida County and was not a planned capital project. It was moved into a capital project for 2007-08 fiscal year.

Conclusion - Response accepted.